

PERAC AUDIT REPORT



Revere Retirement System

JAN. 1, 2011 - DEC. 31, 2013



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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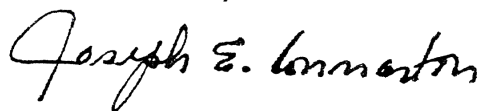
February 17, 2016

The Public Employee Retirement Administration Commission has completed an examination of the Revere Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Susan Kerr and William Walsh who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Minutes of Executive Session

The Board convened in Executive Session on several occasions during the period since the prior audit. On two occasions, the Board Administrator was requested not to be present during the Executive Session. The Board Administrator serves as the recording secretary during both regular Board meetings as well as the Executive Sessions. The ex-officio insists that she witnessed the minutes for these two Executive Sessions held on July 14, 2011 and September 11, 2013. However, despite numerous requests, no formal records were provided to disclose the issues discussed, motions offered or votes taken during these Executive Sessions.

Recommendation: The Board is required to record the minutes of executive sessions in accordance with 840 CMR 6.12 and 10.12(3)(e), and G.L. c. 32, § 20(5). All records of Board Meeting minutes and Executive Session minutes must be maintained as a permanent record.

Board Response:

The Administrator of the Revere Retirement System has the responsibility to draft the minutes of the meeting and present them to the Board prior to the next board meeting. In the event that the Administrator is not available or not present at the meeting a board member will draft the minutes. Minutes of the Executive Sessions held on July 14, 2011 and September 11, 2013 were drafted by a Board Member. The board will take steps to ensure that the Administrator make all minutes available for review.

2. Refunds

A member withdrawing from the system is entitled to interest on their accumulated contributions. The determination of interest is dependent upon confirmation of either a voluntary resignation or an involuntary termination. It is essential that the employer declare unequivocally and affirm the application for withdrawal. The audit identified the 3% interest rule was applied to certain refunds that qualified only for statutory interest. The consistency of the process requires comprehensive supporting documentation be completed to accurately determine the amount of interest the member is entitled to receive upon withdrawing funds from the system.

Recommendation: The Retirement Board must insist that a responsible person in a supervisory capacity properly indicate whether a termination was voluntary or involuntary. Maintaining proper file documentation is an essential function in maintaining internal financial control. The Board must attempt to recover funds owed to the Revere Retirement System. The Board must attempt to correct and satisfy their obligation for any additional funds owed to members who withdrew their funds. A process to confirm that a refund calculation is accurate must be implemented before any refund check is issued.

Board Response:

The Board will require that the Administrator ensure receipt of complete documentation regarding termination of employment and any subsequent requests of withdrawals from a member. In addition, the Board will request that the Administrator review all refunds issued to members since 1/1/2011.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Final Determination

PERAC auditors will follow-up in six (6) months to ensure that appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF DECEMBER 31,			
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	\$2,307,220	\$2,648,994	\$3,706,399
Short Term Investments	500,733	12	2,378,345
Fixed Income Securities (at fair value)	0	0	25,000
PRIT Cash Fund	0	0	0
PRIT Core Fund	116,346,084	101,825,585	87,679,752
Accounts Receivable	29,167	28,085	252,203
Accounts Payable	(289)	(289)	(289)
Total	<u>\$119,182,916</u>	<u>\$104,502,388</u>	<u>\$94,041,411</u>
Fund Balances:			
Annuity Savings Fund	\$29,584,709	\$28,276,125	\$26,803,288
Annuity Reserve Fund	7,807,718	7,200,430	7,869,233
Pension Fund	1,227,395	1,664,913	2,447,673
Military Service Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	<u>80,563,094</u>	<u>67,360,920</u>	<u>56,921,217</u>
Total	<u>\$119,182,916</u>	<u>\$104,502,388</u>	<u>\$94,041,411</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	\$25,854,859	\$7,752,330	\$4,195,038	\$0	\$0	\$57,639,419	\$95,441,646
Receipts	2,760,302	237,030	10,306,283	0	668,773	(718,203)	13,254,186
Interfund Transfers	(1,503,751)	1,503,751	0	0	0	0	0
Disbursements	(308,121)	(1,623,878)	(12,053,649)	0	(668,773)	0	(14,654,421)
Ending Balance (2011)	26,803,288	7,869,233	2,447,673	0	0	56,921,216	94,041,411
Receipts	2,925,209	229,170	10,425,619	0	735,399	11,394,937	25,710,335
Interfund Transfers	(908,694)	914,001	949,927	0	0	(955,234)	0
Disbursements	(543,678)	(1,811,975)	(12,158,306)	0	(735,399)	0	(15,249,358)
Ending Balance (2012)	28,276,125	7,200,430	1,664,913	0	0	67,360,919	104,502,387
Receipts	3,477,345	227,604	11,629,950	0	851,899	14,430,649	30,617,447
Interfund Transfers	(2,030,676)	2,036,790	1,222,360	0	0	(1,228,474)	0
Disbursements	(138,085)	(1,657,106)	(13,289,827)	0	(851,899)	0	(15,936,918)
Ending Balance (2013)	<u>\$29,584,709</u>	<u>\$7,807,718</u>	<u>\$1,227,395</u>	<u>\$0</u>	<u>\$0</u>	<u>\$80,563,094</u>	<u>\$119,182,916</u>

STATEMENT OF RECEIPTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Members Deductions	\$2,753,365	\$2,574,829	\$2,397,542
Transfers from Other Systems	288,654	153,712	135,184
Member Make Up Payments and Re-deposits	103,060	42,508	11,201
Member Payments from Rollovers	305,335	128,432	167,189
Investment Income Credited to Member Accounts	<u>26,932</u>	<u>25,728</u>	<u>49,186</u>
Sub Total	<u>3,477,345</u>	<u>2,925,209</u>	<u>2,760,302</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>227,604</u>	<u>229,170</u>	<u>237,030</u>
Sub Total	<u>227,604</u>	<u>229,170</u>	<u>237,030</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	84,741	87,805	91,493
Pension Fund Appropriation	383,820	416,312	448,178
Recovery of 91A Overearnings	11,161,389	9,921,503	9,766,613
	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>11,629,950</u>	<u>10,425,619</u>	<u>10,306,283</u>
Military Service Fund:			
Investment Income Credited to the Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Investment Income Credited to the Expense Fund	<u>851,899</u>	<u>735,399</u>	<u>668,773</u>
Sub Total	<u>851,899</u>	<u>735,399</u>	<u>668,773</u>
Pension Reserve Fund:			
Interest Not Refunded	84	2,215	26,646
Miscellaneous Income	0	56	6,012
Excess Investment Income (Loss)	<u>14,430,564</u>	<u>11,392,666</u>	<u>(750,861)</u>
Sub Total	<u>14,430,649</u>	<u>11,394,937</u>	<u>(718,203)</u>
Total Receipts, Net	<u>\$30,617,447</u>	<u>\$25,710,335</u>	<u>\$13,254,186</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	\$104,507	\$79,399	\$218,080
Transfers to Other Systems	33,577	464,279	90,041
Sub Total	<u>138,085</u>	<u>543,678</u>	<u>308,121</u>
Annuity Reserve Fund:			
Annuities Paid	1,620,517	1,538,914	1,482,311
Option B Refunds	36,589	273,060	141,568
Sub Total	<u>1,657,106</u>	<u>1,811,975</u>	<u>1,623,878</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,793,380	6,519,009	6,345,183
Survivorship Payments	589,653	580,852	634,973
Ordinary Disability Payments	116,687	114,353	112,043
Accidental Disability Payments	4,013,979	3,263,228	3,261,542
Accidental Death Payments	991,750	948,584	967,247
Section 101 Benefits	173,972	192,822	195,009
Section 100 Benefits	409,595	409,235	408,875
3 (8) (c) Reimbursements to Other Systems	200,811	130,221	128,777
Sub Total	<u>13,289,827</u>	<u>12,158,306</u>	<u>12,053,649</u>
Expense Fund:			
Board Member Stipend	18,000	18,000	18,000
Salaries	138,689	126,720	125,608
Legal Expenses	42,153	43,462	42,104
Travel Expenses	47	544	168
Administrative Expenses	6,780	8,103	6,003
Management Fees	606,666	505,268	444,272
Service Contracts	31,312	25,062	24,642
Fiduciary Insurance	8,252	8,240	7,977
Sub Total	<u>851,899</u>	<u>735,399</u>	<u>668,773</u>
Total Disbursements	<u>\$15,936,918</u>	<u>\$15,249,358</u>	<u>\$14,654,421</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,			
	2013	2012	2011
Investment Income Received From:			
Cash	\$9,553	\$23,154	\$29,924
Short Term Investments	722	8,708	16,165
Pooled or Mutual Funds	<u>3,165,293</u>	<u>3,011,163</u>	<u>2,707,219</u>
Total Investment Income	<u>3,175,567</u>	<u>3,043,024</u>	<u>2,753,308</u>
Plus:			
Realized Gains	5,075,300	2,431,785	2,758,057
Unrealized Gains	<u>13,085,575</u>	<u>12,695,809</u>	<u>8,743,792</u>
Sub Total	<u>18,160,875</u>	<u>15,127,594</u>	<u>11,501,849</u>
Less:			
Realized Loss	0	0	(50,107)
Unrealized Loss	<u>(5,799,443)</u>	<u>(5,787,655)</u>	<u>(14,000,922)</u>
Sub Total	<u>(5,799,443)</u>	<u>(5,787,655)</u>	<u>(14,051,028)</u>
Net Investment Income	<u>15,537,000</u>	<u>12,382,963</u>	<u>204,129</u>
Income Required:			
Annuity Savings Fund	26,932	25,728	49,186
Annuity Reserve Fund	227,604	229,170	237,030
Military Service Fund	0	0	0
Expense Fund	<u>851,899</u>	<u>735,399</u>	<u>668,773</u>
Total Income Required	<u>1,106,436</u>	<u>990,297</u>	<u>954,989</u>
Net Investment Income	<u>15,537,000</u>	<u>12,382,963</u>	<u>204,129</u>
Less: Total Income Required	<u>1,106,436</u>	<u>990,297</u>	<u>954,989</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>\$14,430,564</u>	<u>\$11,392,666</u>	<u>(\$750,861)</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2013		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$2,307,220	1.94%
Short Term Investments	500,733	0.42%
PRIT Cash Fund	0	0.00%
PRIT Core Fund	<u>116,346,084</u>	<u>97.64%</u>
Grand Total	<u>\$119,154,037</u>	<u>100.00%</u>

For the year ending December 31, 2013, the rate of return for the investments of the Revere Retirement System was 15.00%. For the five-year period ending December 31, 2013, the rate of return for the investments of the Revere Retirement System averaged 11.51%. For the 28-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Revere Retirement System was 8.56%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the 28-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Revere Retirement System voted to invest all of the system's assets with the PRIT fund. As a result of that motion, the supplemental investment regulations submitted and previously approved by the Public Employee Retirement Administration Commission were effectively rescinded.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Revere Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$797.64 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$797.64 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of \$100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. . Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board primarily relies upon the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Revere Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission:

Membership:

6/13/13

The purpose of these regulations adopted by the City of Revere Retirement Board, hereinafter “the Board”, is to more clearly define various types of employment with the City of Revere, hereinafter “the City” for membership and creditable service requirements within the City of Revere Retirement System, hereinafter “the System.”

Section I

DEFINITIONS:

A. “Employee” An employee is any person hired, employed or appointed to a permanent or provisional position by the City, non-teaching employees of the Revere School Department, herein after “the School Department,” appointed by the School Committee and/or the Superintendent, and employees of the Revere Housing Authority, hereinafter “the Housing Authority,” appointed by the Housing Authority Board and/or the Executive Director, who are regularly employed with a regular work schedule with commensurate salary and wages.

B. “Permanent full-time employee” shall be defined as any administrative clerical or library employee who works not less than thirty-nine (39) hours per week, any laborer, custodian and/or all hourly rated employees who work not less than forty (40) hours per week, any uniformed members of the police and fire departments who work not less than forty-two (42) hours per week, non-teaching employees of the School Department who work not less than 35 hours per week, administrative employees of the Housing Authority who work not less than thirty-seven and a half hours (37.5) per week, and maintenance employees of the Housing Authority who work not less than forty (40) hours per week.

C. “Permanent part-time employee (eligible)” is an employee who regularly works at least twenty (20) hours per week and who does not meet the requirements of full-time employment. School Department employees who work more than twenty (20) hours per week for ten (10) consecutive months shall be eligible for membership in the System.

D. “Temporary, seasonal and/or intermittent employee” (ineligible) an employee who is scheduled to work fewer than twenty (20) hours per week shall not be eligible for membership in the System.

E. Any employee receiving compensation of less than \$5,000 annually for employment occurring on or after July 1, 2009, shall not be eligible for membership in the System. Employees who earned less than \$5,000 annually and who established membership in the System prior to July 1, 2009 shall continue to be members of the System. The regular compensation of such employee shall be subject to retirement withholding but such employee shall only accrue creditable service subject to the provisions of Section 25 of Chapter 21 of the Acts of 2009.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

F. "Provisional employee": A person who is employed in a Civil Service position or appointed by a Board or Commission of the City for more than twenty (20) hours per week and earns more than five thousand dollars (\$5,000) annually shall become a member of the System upon the completion of the sixth month of employment, provided that there is no change in the status of the provisional employee. Said employee, upon employment, shall be advised that he or she must participate in an alternative retirement plan provided by the City during the six months of provisional employment.

G. Notwithstanding the provisions of Section 4 of this regulation relative to Creditable Service, Employees and Full-time Employees as previously defined in this regulation shall not be subject to reductions in service credit resulting from temporary hour reductions to their specific positions incurred due to budgetary constraints, provided that the Board annually votes to authorize said service credit.

Section 2

REPORTING AND NOTIFICATION REQUIREMENTS:

A. All persons responsible for hiring, employing or appointing a person to a position within the City, non-teaching employees of the School Department, other than Teachers, or the Housing Authority must notify the Board of the appointment of any employee, aside from a temporary, seasonal and/or intermittent employee, at least five (5) days before the person receives his or her first paycheck.

B. A department head must, within seven (7) days notify the Board when a part-time employee subsequently becomes employed on a full-time basis. A department head must also notify the Board of any change in the employee's status, pay grade or address change. This includes, but is not limited to, promotion, reduction in hours, suspension, termination, leave of absence, and medical leave of absence.

C. The Board may require the department head to furnish other information regarding an employee in order for the member to be properly classified.

D. The Board is empowered to allow late entry into the System upon a Board vote, and then only if the Board finds that his or her failure to become, or his or her election not to become, a member of the System was caused by circumstances other than those generally applicable to employees. Failure of the Department head to notify an employee of his or her membership rights shall not be deemed by the Board to be a circumstance other than one generally applicable to other employees within the meaning of Chapter 32, section 3(3), and shall not be deemed by the Board to be a circumstance permitting late entry into the System.

Section 3

MEMBERSHIP:

A. (as of 10/27/2014) Membership": As of (date of promulgation) permanent full-time employees of the City, non-teaching employees of the School Department, and permanent full-time employees of

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

the Housing Authority, hereafter “employees” as defined in section 1, subsections A through C of this regulation, shall become members of the System upon date of employment in accordance with the provisions of Section 2, subsection A of this regulation. All other employees who are regularly employed a minimum of twenty (20) hours per week and earn a minimum of five thousand (\$5,000) dollars per year shall become a member of System upon the completion of the sixth month of employment. Notwithstanding the above, full-time ROTC Instructors who have received a written denial of membership in the Massachusetts Teachers’ Retirement System (MTRS) shall be permitted to become members of the Revere Retirement System following the Board’s receipt of a completed application, along with a copy of the notice of denial from the Massachusetts Teachers’ Retirement Board.

B. Employees who are provisional Civil Service employees and are regularly employed a minimum of twenty (20) hours per week for a period of six consecutive months and earn a minimum of five thousand (\$5,000) dollars per year shall become a member of the System upon the completion of the six month of employment, provided that there is no change in the employment status of the provisional employee.

C. Temporary, seasonal or intermittent employees who are regularly scheduled to work fewer than twenty hours per week are not eligible for membership in the System. Moreover, any hours worked in excess of the employee’s original scheduled work hours as temporary or intermittent employees (fewer than twenty (20) hours per week) shall not be considered for eligibility in the System for the purpose of buyback. Any temporary employee who becomes a permanent part-time or full-time employee shall not be allowed to buyback hours of employment worked as a temporary or intermittent employee working fewer than 20 hours per week.

D. On or after July 1, 2009, employees who earn less than five thousand (\$5,000) dollars per year shall not be eligible for membership in the System. Employees who earned less than \$5,000 annually and who established membership in the System prior to July 1, 2009 shall continue to be members of the System. The regular compensation of such employee shall be subject to retirement withholding but such employee shall only accrue creditable service subject to the provisions of Section 25 of Chapter 21 of the Acts of 2009. M.G.L. Chapter 32, section 4(1)(o).

Creditable Service:

Section 4.

Members of the System shall receive creditable service in whole-month increments in the following manner:

A. For a member-in-service who is employed in a permanent full-time capacity as defined above while an employee of the City, he or she will receive one month of creditable service for each month in which the employee receives regular compensation for such service and remits the

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

appropriate contributions to the System, with said service not to exceed one (1) year of creditable service in any calendar year.

B. For a member-in-service who is employed in a permanent part-time capacity throughout his or her entire career while an employee of the City, the Board will pro-rate months of service. The percentage of service to be awarded to the employee by the Board will be determined by computing a fraction the numerator of which is the total regularly scheduled hours worked by the employee in a calendar year and the denominator of which is the full time hours required for qualification for permanent full-time employment as defined above, based on a forty-two week year for employees of the School Department whose regular employment requires them to work school years, and based on a fifty-two (52) week year for all other permanent employees. Said service shall not exceed (1) year of creditable service in any calendar year. For non-teaching employees of the School Department, full months of actual service as determined above shall be divided by ten (10) months for each academic year. The quotient will then be multiplied by twelve (12) to determine the number of months of creditable service to be allowed under the buyback.

BI. Notwithstanding the provisions of this section, any permanent part-time employee who had completed ten or more years of service prior to [the effective date of these regulations] shall be granted full creditable service for any period during which he or she is regularly employed at least twenty-eight hours per week. The provisions of the foregoing sub-section BI shall expire on December 31, 2017.

C. For a member-in-service who has been employed in both a permanent full-time and a permanent part-time capacity while an employee of the City, the member will receive full-time credit for permanent full-time service, and prorated credit for permanent part-time service based on the full-time employment equivalency as defined in sections BI and CI of this regulation.

CI. Notwithstanding the provisions of this section, any permanent part-time or full-time employee who had completed ten or more years of service prior to [the effective date of these regulations] shall be granted full creditable service for any period during which he or she is regularly employed at least twenty-eight hours per week. The provisions of the foregoing sub-section CI shall expire on December 31, 2017.

D. For a member who is employed in a permanent part-time capacity as defined in section IC of this regulation throughout his or her entire career while an employee of the City but who either purchases past refunded service, or who has transferred into the System service rendered in a permanent full-time capacity, the service attributable to the member's part-time employment shall be prorated based on the hour required for qualification for permanent full-time employment service as defined in section IB of this regulation.

E. Employees whose positions were funded through the Comprehensive Employment Training Act (CETA), and would have otherwise been eligible for membership in the System at the time said

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

service was actually rendered shall be considered eligible for membership in the System for the purpose of buyback upon the submission of information required herein.

F. In the case of non-teaching employees of the School Department whose permanent full-time employment requires them to work from on or about September 1st to June 30th, said employees shall receive one month of creditable service for each full month the employee is receiving regular compensation as defined in M.G.L. Chapter 32, section 1, with ten (10) months being the equivalent of one year of creditable service, and with said service not to exceed one (1) year of creditable service in any calendar year.

G. In the case of non-teaching employees of the School Department, including but not limited to custodians and secretaries whose employment requires them to work the entire calendar year, in such a situation said employee's creditable service will be based on a twelve (12) month year.

H. Any member purchasing past permanent part-time service rendered shall have said service credited based on the percentage of permanent full-time employment service as defined herein.

Section 5

Creditable Service, Buybacks, Make-ups, and Re-deposits:

The following regulation is applicable to and mandatory for all current and future employees of the System.

A. Creditable service may be purchased as follows:

All prior creditable service must be purchased by means of a lump sum payment by check or money order made payable to the Revere Retirement Fund. Any employee eligible to purchase prior service credit must remit the full required payment to the System within 180 days of the employee's receiving written notice of the amount of the required payment. The Board may upon presentation of documentation of financial hardship, may allow the purchase of creditable service by means of an installment plan over a term not to exceed five years under such terms and conditions as the Board may prescribe.

B. Employees shall be awarded service credit in accordance with the following:

Less than one (1) month – (no creditable service.)

One (1) month to eleven (11) months – (month for month.)

Twelve (12) months – (one (1) year)

One (1) year of credit for ten (10) months of service may only be granted for school employees whose work schedule is the academic school year.

C. When purchasing prior part-time service, official payroll records, pay stubs, W-2 forms, Internal Revenue Service records, Social Security Administration records, or a combination thereof, which

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

provides the Board with documentation of the employee's wages and hours worked for each calendar year for which service credit is sought, shall be supplied by the applicant.

D. For the purpose of calculating buyback "months" for a member whose work schedule is the academic school year, the Board will pro-rate full months of service using the number of full months of actual service as determined above, divided by the ten (10) months of the academic school year. The quotient will then be multiplied by twelve (12) to determine the number of months of creditable service to be allowed under the buyback.

E. Upon written request, and proper documentation of prior service, reserve or permanent-intermittent police officers who were on the respective list, eligible for assignment to duty and subsequently appointed to the Revere Police Department as a permanent full time employee, shall be credited with full-time service up to a maximum of five (5) years without repayment to the System in accordance with M.G.L. Chapter 32, section 4(2)(b).

F. Upon written request, and proper documentation of prior service, permanent intermittent or call firefighters who were on the respective list, eligible for assignment to duty and subsequently appointed to the Revere Fire Department as a permanent full time employee shall be credited with full-time service up to a maximum of five (5) years without repayment to the System in accordance with M.G.L. Chapter 32, section 4(2)(b).

Section 6

Military Service Buyback:

The following regulation is applicable to and mandatory for all current and future employees of the System.

A. Employees who qualify as a "veteran" under M.G.L. Chapter 32, section 4(1)(h) can purchase up to four (4) years of active service in the Armed Forces of the United States which will be added to their creditable service as a member of the retirement system.

B. Any member seeking military service credit in accordance with the provisions of Chapter 71 of the Acts of 1996 must remit the full required payment in one lump sum to the Board on or before the last day of the forty- eighth month following the date of the Board's receipt of said member's initial application for such creditable service, or on or before the date immediately preceding the effective date of the member's retirement, whichever date first occurs. Any member whose required payment for such military service credit exceeds \$6,000.00 may petition the Board for an extension. A written request for an extension must be filed with the Board within 180 days of applicant's receiving written notice of the amount of the required payment. Each such request will be reviewed by the Board on a case by case basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Section 7

Creditable Service under Chapter 235 of the Acts of 1994:

Any member seeking creditable service pursuant to the provisions of Chapter 235 of the Acts of 1994, must remit the full required payment in one lump sum on or before the last day of the thirty-sixth month following the date of the member's receipt of a notice of eligibility from the board, or on or before the date immediately preceding the effective date of the member's retirement, whichever date first occurs.

Section 9 (Amended and Approved July 9, 2014)

ADMINISTRATION:

Name: City of Revere Retirement System.

Board: Five members as designated by M.G.L. Chapter 32

Staff: Administrator and Assistant Administrator.

Staff Salaries and Benefits: Determined by vote of Board.

Staff Hiring: Determined by vote of Board after interviews.

Chairperson of Board: Conducts all meetings, disseminates information from Board. Chairperson shall be elected annually from among the members pursuant to the Rules of Order of the Board.

Ex-Officio Member: Oversees administration of the Retirement Office and is available to confer with Administrator on important operations of this office. Administrator: Administers Office in accordance with M.G.L. Chapter 32, 840 CMR, the Board's supplementary regulations and the Rules of Order, assigns workload to Assistant Administrator.

Meetings: Second Wednesday of every month, subject to adjustments due to scheduling conflicts. Board Counsel shall be present when deemed necessary by the Board.

Warrants: Two Board members are required to sign all warrants. Copies of all warrants for the month shall be included in Administrator's Report in Board members' monthly meeting packets.

Minutes: Minutes of each Board meeting shall be read and approved by all members of the Board present at that meeting, and will not be certified until signed by all such Board members and the Administrator.

All communications prepared for submission to the Mayor and or City Council by the Board shall first be submitted to the Board for its approval. Upon approval of a majority of the Board members, said communication shall be transmitted to the Mayor and or City Council under the Board's signature. Electronic communication may be used to communicate with Board members to facilitate and secure timely approval of the communication.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Budget: Ninety days prior to the beginning of the Board's fiscal year, the Administrator shall submit to the Board for its review a proposed administrative expense budget which shall be a statement of the amounts recommended for expenditures of the Board for the subsequent year. Said budget proposal shall include projections of expected costs for the following year, year to date expenses for the current year, plus at least two years prior historical expense data for the following accounts as prescribed by PERAC:

- (a) Salaries
- (b) Board Member Compensation
- (c) Investment Management Fees
- (d) Consultant Fees
- (e) Legal Fees
- (f) Travel
- (g) Fiduciary Insurance
- (h) Service Contracts
- (i) Furniture and Equipment
- (j) Administrative Expenses

The Board shall, in the month of December, by majority vote, adopt an annual budget, and may reduce, increase or reject any proposed appropriations as recommended by the Administrator. By majority vote, the Board may, pursuant to G.L. C. 32, s. 22(5), adopt supplemental budgets as it deems necessary during the year.

Section 10

REPEAL OF FORMER SUPPLEMENTARY REGULATIONS

The City of Revere Retirement Board Supplementary Regulations adopted on July 11, 1990 relative to membership, December 16, 1997, March 13, 1997, and September 30, 1991; July 11, 1990 relative to creditable service, July 11, 1990 relative to miscellaneous, and October 23, 2002 relative to travel, are hereby repealed upon [the effective date of the above new Supplementary Regulations].

Section 11

SEVERABILITY

Severability: It is the intention of the Board that the provisions of these regulations shall be deemed severable, and if any portion of these regulations is for any reason determined to be unconstitutional, contrary to statute, in excess of authority, or otherwise inoperative, such determination shall not affect the validity of any other portion of these regulations.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Travel Regulations:

The Revere Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website.

<http://www.mass.gov/perac/03travelreg/reveretravelreg.html>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Laurie Giardella, Chair

Appointed Member: John Henry

Term Expires: Until a successor
is appointed

Elected Member: Sean Manion

Term Expires: 04/01/18

Elected Member: James Caramello

Term Expires: 04/01/18

Appointed Member: Gennaro Cataldo

Term Expires: 12/17/17

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2013.

The actuarial liability for active members was	\$84,906,597
The actuarial liability for vested terminated members was	1,152,944
The actuarial liability for non-vested terminated members was	485,263
The actuarial liability for retired members and survivors was	<u>110,555,043</u>
The total actuarial liability was	\$197,099,847
System assets as of that date were	<u>102,117,885</u>
The unfunded actuarial liability was	<u>\$94,981,962</u>
 The ratio of system's assets to total actuarial liability was	 51.8%
As of that date the total covered employee payroll was	\$27,430,526

The normal cost for employees on that date was 8.6% of payroll

The normal cost for the employer was 7.3% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 7.75% per annum
Rate of Salary Increase: 4.25% to 4.75% range to ultimate rates per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2013	\$102,117,885	\$197,099,847	\$94,981,962	51.8%	\$27,430,526	346.3%
1/1/2011	\$102,944,834	\$178,575,772	\$75,630,938	57.6%	\$25,257,501	299.4%
1/1/2008	\$97,013,837	\$163,452,818	\$66,438,981	59.4%	\$23,567,705	281.9%
1/1/2006	\$77,819,517	\$155,171,086	\$77,351,569	50.2%	\$20,800,160	371.9%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	4	4	6	5	6	8	12	15	12	18
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	<u>4</u>	<u>4</u>	<u>5</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>4</u>
Total Retirements	8	8	11	5	10	12	15	16	12	22
 Total Retirees, Beneficiaries and Survivors	591	575	575	552	550	548	546	542	530	524
 Total Active Members	585	462	612	510	517	510	548	561	632	658
Pension Payments										
Superannuation	\$5,413,969	\$5,458,366	\$5,506,766	\$5,622,360	\$5,731,445	\$5,870,934	\$6,112,323	\$6,345,183	\$6,519,009	\$6,793,380
Survivor/Beneficiary Payments	637,262	521,721	496,257	506,583	560,920	571,519	616,037	634,973	580,852	589,653
Ordinary Disability	165,223	160,987	156,055	131,265	122,761	107,498	109,758	112,043	114,353	116,687
Accidental Disability	2,946,084	3,368,622	3,422,515	3,005,609	2,997,316	3,086,316	3,182,134	3,261,542	3,263,228	4,013,979
Other	<u>1,400,112</u>	<u>1,382,026</u>	<u>1,391,462</u>	<u>1,461,125</u>	<u>1,499,714</u>	<u>1,580,080</u>	<u>1,657,950</u>	<u>1,699,908</u>	<u>1,680,863</u>	<u>1,776,129</u>
Total Payments for Year	<u>\$10,562,650</u>	<u>\$10,891,722</u>	<u>\$10,973,055</u>	<u>\$10,726,942</u>	<u>\$10,912,156</u>	<u>\$11,216,347</u>	<u>\$11,678,202</u>	<u>\$12,053,649</u>	<u>\$12,158,306</u>	<u>\$13,289,827</u>

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. MCCARTHY | JENNIFER F. SULLIVAN

January 5, 2017

Laurie Giardella, Chairperson
Revere Retirement Board
City Hall
281 Broadway
Revere, MA 02151

REFERENCE: Report of the Examination of the Revere Retirement Board for the three-year period from January 1, 2011 through December 31, 2013.

Dear Ms. Giardella:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Revere Retirement Board for the period referenced above. We conduct these visits as a regular part of the oversight process. They are designed to ensure the timely implementation of corrective action for the recommendations cited in that report. This examination addressed two specific findings and recommendations cited in the report. The results are as follows:

1. The Audit Report cited that Executive Session minutes were missing from the Board's records.

Follow-up Result: We viewed the Executive Session minutes that were missing during the prior audit. We also reviewed Board minutes beginning 2014 to the present and found several instances where the Board convened in Executive Session. These sessions were recorded by the Board Administrator disclosing the issues discussed, motions offered and votes taken by roll call. This finding is resolved.

2. The Audit Report cited that member refunds were issued without obtaining the required termination information from the member's employer necessary to determine the rate of interest applicable to the refund.

Follow-up Result: We reviewed a sample of refunds issued between 2014 and 2016. At the time of this follow-up, a new Administrator had implemented additional procedures increasing internal controls with respect to the issuance of member refunds, including a review process to ensure that refund calculations are performed accurately and that all necessary records are



Revere Follow up
January 5, 2017
Page 2

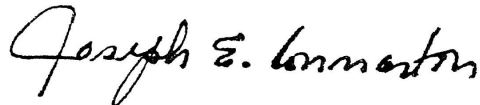
kept in the member's file. We reviewed a sample of refunds processed after these procedures were implemented and found that calculations are being performed accurately; records from the members' employers are being obtained; and all necessary documentation is kept in the member's file.

The overpayments or underpayments to the respective members identified during the audit were not completed. This finding is partially resolved.

The Commission wishes to acknowledge the effort demonstrated by the staff of the Revere Retirement Board to correct the issues cited in the most recent examination of the system. PERAC auditors may conduct an additional follow-up visit to ensure appropriate progress is being made in the area that has not been corrected adequately at this time.

We anticipate your continued cooperation in resolving this important matter.

Sincerely,

A handwritten signature in black ink, reading "Joseph E. Connarton". The signature is fluid and cursive, with the first name "Joseph" being the most prominent.

Joseph E. Connarton
Executive Director

cc: Revere Retirement Board Members